FISCAL NOTE

Bill #: **HB0661**

Title: Revise laws governing stripper well tax

Primary Sponsor: **Bill Rehbein**

Status: **3rd reading**

Sponsor signature Date

Dave Lewis, Budget Director Date

Fiscal Summary

	FY2000 Difference	FY2001 Difference
Expenditures:		

In order to implement the proposed legislation, the Department of Revenue would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of $9,600 in FY1999. There would be no expenditure impact in FY2000 or FY2001.

	FY2000 Difference	FY2001 Difference
Revenue:		
General Fund (01)	($764,304)	($827,125)
Board of Oil and Gas	15,040	16,404
Groundwater assessment account	3,531	3,851
Renewable resource grant & loan	2,504	2,731
Reclamation & development grants	7,512	8,193
Resource Indemnity Trust	15,040	16,404
University 6-mill account	(9,275)	(9,907)
Total	($733,499)	($793,316)
Net Impact on General Fund Balance:	**($764,304)**	**($827,125)**

Yes	No		Yes	No	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Total oil production from wells which produce less than 10 barrels per day 1,714,990, 1,684,003, and 1,647,600 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).
2. Total oil production from post-1985 wells which produce less than 3 barrels per day is 176,543, 180,073, and 183,675 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).

3. The proposed legislation will increase pre-1985 oil production eligible for stripper classification by 545,634, 501,984, and 461,825 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).
4. The proposed legislation will increase post-1985 oil production eligible for stripper classification by 153,490, 156,560, and 159,691 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).
5. Under the proposed legislation, all production tax revenue from 4-15 barrel per day wells will be distributed in the same manner as revenue received from stripper exemption (1st 3 barrels) wells under current law (DOR).
6. Oil and gas production taxes are evenly distributed across a calendar year (DOR).
7. Montana oil price is $11.72, $14.11, and $15.47 per barrel in CY1999, CY2000, and CY2001 respectively (HJR2).
8. The locally-distributed portion of taxes received from pre-1985 oil wells is distributed 3.42% to the university system, 25.63% to the general fund, and 70.95% to other school and local taxing jurisdictions (DOR).
9. The locally-distributed portion of taxes received from post-1985 wells is distributed 1.97% to the university system, 31.14% to the general fund, and 66.89% to other school and local taxing jurisdictions (DOR).
10. The price of West Texas Intermediate crude oil will remain below $20.00 per barrel over the biennium (DOR).

FISCAL IMPACT:	FY2000 Difference	FY2001 Difference

Expenditures:

In order to implement the proposed legislation, the Department of Revenue would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of $9,600 in FY1999. There would be no expenditure impact in FY2000 or FY2001.

Revenues:	FY2000 Difference	FY2001 Difference
General Fund (01)	($764,304)	($827,125)
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Total	($733,499)	($793,316)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments and school districts will receive reduced non-levy revenue from the Oil and Gas Production Tax under the proposed legislation. The total tax loss to local governments and schools is $206,055, and $221,438 in FY2000, and FY2001 respectively.

LONG-RANGE IMPACTS:

The proposed legislation will reduce tax revenues to both state and local taxing jurisdictions when the price of West Texas Intermediate crude oil is less than $20.00 per barrel.